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## **INTRODUCTION**

The School District of the City of Pontiac (Pontiac School District) entered into contract #ADMIN-06-63001, with the Department of Human Services (DHS). Under the contract the School District was to provide a school-based crisis prevention support program to assist children with behavior difficulties. The contract covered the period October 1, 2005 through September 30, 2007, and totaled \$78,500 per year. The Pontiac School District was reimbursed for actual costs incurred in providing these services, through submission of monthly billings to DHS.

## **SCOPE**

The Office of Internal Audit performed an audit of the Pontiac School District for the period October 1, 2005 through December 31, 2006. The purpose of our audit was to determine if their billings were accurate, and if the costs charged were allowable per the terms of the contract and properly supported by the accounting records, case file records and other supporting documentation.

## **EXECUTIVE SUMMARY**

Based on our audit, we concluded that the Pontiac School District has a proper system of accounting and documentation in place to support the billings submitted to DHS, except for the salaries expense. The Pontiac School District billed salaries for the allocated employee based on the contract budget and not the actual time spent on the program. Also, the daily sign in sheets used to total weekly time were not accurate and up to date for all weeks reviewed.

Our report recommends that the Children's Services Administration (CSA) ensure that the Pontiac School District implement proper time keeping and salary allocation procedures.

## **AGENCY RESPONSE**

The Pontiac School District has reviewed all findings and recommendations included in this report. In a telephone conversation on May 9, 2007, they indicated they are in general agreement with the findings and have taken the necessary corrective action.

## **FINDINGS AND RECOMMENDATIONS**

### **Salaries Expense**

1. The Pontiac School District did not properly bill time for one employee. The Federal Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions*, states in part, “Where the institution uses time cards or other forms of after-the-fact payroll documents as original documentation for payroll and payroll charges, such documents shall qualify as records for this purpose, provided that they meet the requirements in subsections (a) through (e)”. The subsections require that the distribution of salaries and wages by the institution will be supported by activity reports.

The management of the Pontiac School District informed us that they billed salaries based on the contract percentage for one position and the two other positions are 100% charged to the contract.

The Pontiac School District had adequate documentation that their employees performed the services required by the contract, and the amounts charged for each employee appeared reasonable, therefore we are not recommending recoupment of any amounts billed for salaries.

WE RECOMMEND that the CSA monitor to ensure that the Pontiac School District develops and maintains appropriate timekeeping and salary allocation procedures to comply with OMB Circular A-21.

Salaries - Sign in Sheets

2. The Pontiac School District did not have complete and accurate sign in sheets for the employees who worked on the Crisis Prevention program. The sign in sheets were missing daily times and weekly total hours. The total weekly hours are used in charging payroll costs to the contract. Having complete records reduces the risk of inaccurate reporting of payroll costs.

WE RECOMMEND that CSA ensure that the Pontiac School District has complete and accurate documentation for charging the program payroll costs.